NBW CAPITAL LLC

INVESTMENT REVIEW AND OUTLOOK

March 31, 2024

Market Summary

Equity markets continued on a strong pace in the first three months of 2024. The S&P 500 Index was up over 10% and closed the quarter at record highs. This was the strongest first quarter performance since 2019. Small-cap stocks continued to lag, but the Russell 2000 Index did post a respectful return of over 5%. The bond market struggled as interest rates moved higher with the Bloomberg U.S. Aggregate Bond Index falling nearly 1%.

Index Total Returns

Source: NBW Capital

	Three Months Ended 3/31/2024	Twelve Months Ended 3/31/2024
S&P 500 (Equities)	10.56%	29.88%
Bloomberg U.S. Aggregate Bond Index (Bonds)	-0.78%	1.70%
Alerian Total Return Index (MLPs)	13.89%	38.46%
Russell 2000 Index (Small-Cap Stocks)	5.18%	19.71%
MSCI EAFE (Foreign Stocks)	5.93%	15.90%

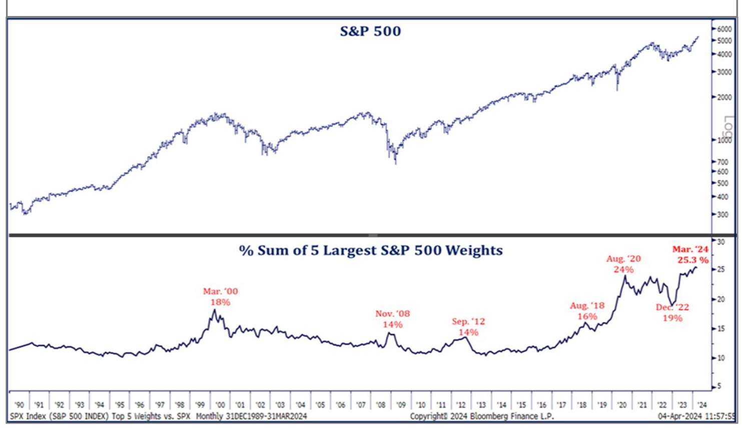
*March 31, 2024 quarter end point in time data. The above returns are industry index benchmark returns, your actual portfolio return can be located on the "Performance Overview" page of your reporting package.

Beginning in December 2022 and continuing to today, the most commonly used benchmark for equity investors, the S&P 500 Index, resumed its trend of becoming increasingly concentrated. This means that the ten largest market capitalization companies with the largest weights in the Index increase as a percentage of the total market capitalization of the Index. Therefore, they have a greater impact on the performance of the benchmark. The largest seven of this group have been given the nickname "Magnificent 7" or "Mag 7" by investors and the press due to their very strong performance over this period. We wrote about this phenomenon in our most recent publication, "[Does the S&P 500 Still Represent a Diversified Portfolio?]" which is posted on our website.

Referencing the chart to the right, today the five largest stocks represent over 25% of the Index's market capitalization. With so few stocks dominating the benchmark's returns, it raises the question as to if the Index is truly representative of a diversified portfolio. Periods of concentration tend to produce very strong performance for the benchmark. However, as happened in 2000 and 2008, concentration does revert back toward the historical average levels. When this happens, the Index performance tends to be well below its long-term averages. However, the average stock (i.e. the other 495 companies in the Index, as well as mid and small capitalization companies) tends to outperform.

S&P 500 Index Concentration, 1990 to Present

Source: Strategas



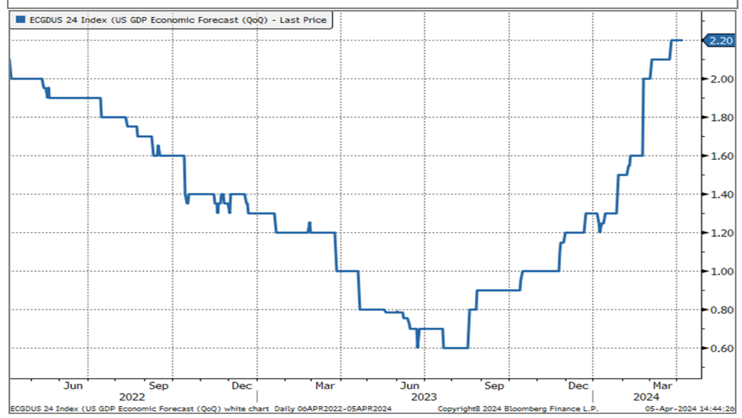
At NBW Capital, we strive to produce returns that beat the Index over full market cycles. Twenty-four years into this century, stocks as measured by the S&P 500 Index, averaged total returns of approximately 7%. Since our inception, we have provided returns for clients that are ahead of this measure. Even in this period of heavy concentration, NBW's clients' portfolios have grown at very respectable rates.

Economic Update

The U.S. economy remains on solid ground. We believe that the Federal Reserve appears to have managed a soft landing, and that the U.S. economy is healthy and improving. As seen in the charts below, the ISM Manufacturing Index moved above 50 and economists have been consistently revising upward their estimates for 2024 GDP growth. We have been consistent in asserting that it is unlikely for the U.S. to enter a recession. Given the enduring strength of economic fundamentals, we continue to hold that view and are less concerned about the potential for a slowdown in growth than we were last year.

ISM Manufacturing Index
Source: Bloomberg

2024 Consensus Real GDP Growth Estimates
Source: Bloomberg



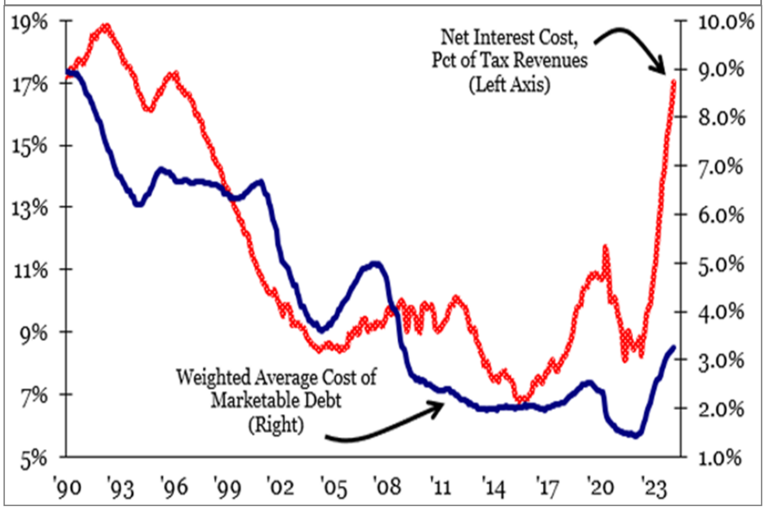
Inflation, Fed Funds and the Ten-Year U.S. Treasury Yield
Source: Bloomberg

Federal Reserve interest rate increases over the previous two years appear to have succeeded in reducing inflation toward the target rate of 2% per annum. As the chart to the right indicates, we are not yet to the target, but the bond market, as represented by the yield on the ten-year U.S. Treasury note, is not reflecting concerns that inflation will meaningfully reaccelerate.

We continue to remain cognizant of potential risks associated with geopolitical concerns and the upcoming election. While it is too soon to determine potential winners and losers of this election cycle, we maintain a vigilant approach to navigate any potential volatility associated with these risks.

An ongoing concern is the federal budget deficit. As the U.S. government increases its borrowing levels and rolls over existing debt at a higher interest cost, the percent of the federal budget spent on interest continues to grow (as shown on the chart on the next page). At some point, this issue has to be addressed in terms of reducing the fiscal budget deficit. We do not know at what point the "Bond Vigilantes" will return to the

Net Interest Cost & Weighted Average Cost of Marketable Debt
Source: Strategas

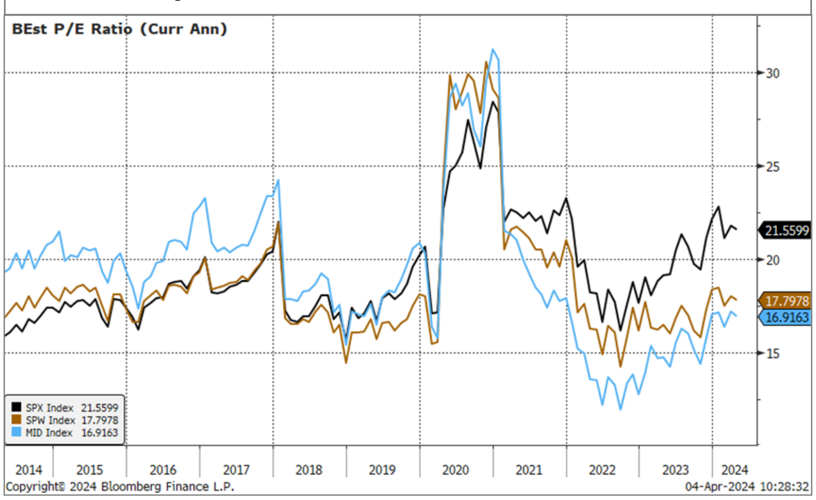


market and force fiscal discipline on our leaders in Washington by requiring higher rates on federal debt. However, we are approaching levels of interest costs, as a percentage of the federal budget, that historically longer-term interest rates tended to rise to in response to the burden of servicing the federal debt.

One notable theme that continues to drive market activity is Artificial Intelligence (AI). The valuation of companies associated with AI continues to rise, as does the Technology weight, almost 30% in the S&P 500. We are actively exploring opportunities within this space while adhering to our disciplined approach of avoiding overvalued stocks. While their recent performance has been good, these stocks are expensive relative to the rest of the market.

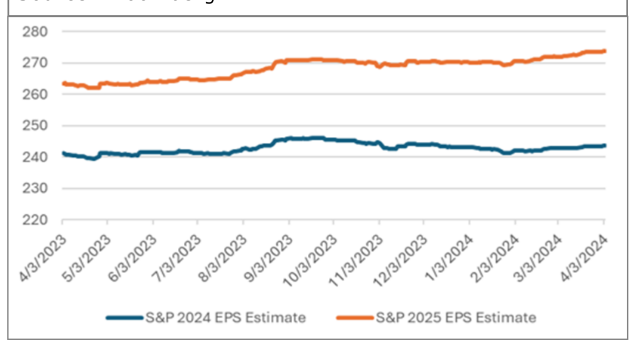
As we have previously mentioned, mid-cap and small-cap stocks hold particular appeal to us due to their potential for growth and valuation attractiveness. While we do not wish to sound "alarm bells" regarding the S&P 500, we believe that the mid and small-capitalization arena presents more compelling opportunities for investment. As seen in the chart below, valuations have started to approach the upper end of the range for the market, mainly driven by a handful of mega cap stocks. But, we continue to find good opportunities in the small and mid-capitalization space which leads us to believe there is still a good return opportunity in equities.

Price Earnings Ratios
S&P 500 (SPX), Equal Weighted S&P 500 (SPW), S&P 400 Midcap (MID) Indices
Source: Bloomberg



As we review the market environment, we stay focused on earnings trends. The S&P 500 earnings estimates remain stable and the estimated year-over-year growth rate is actually beginning to accelerate as can be seen in the chart below.

S&P 500 Earnings Estimates
Source: Bloomberg



529 Plans Asset Allocation Update

As part of our client service, we actively manage 529 college savings and 401K plans. During the first quarter of 2024, we made several asset allocation changes within the 529 program. Based on our belief that the U.S. financial markets are more attractive than their international counterparts, we shifted the allocation for these clients more towards domestic investments. Additionally, we recognized that the higher yield in fixed income bonds has made that asset class more attractive, especially to investors with shorter time horizons. These factors lead us to increasing the allocation to bonds, in particular for our clients with children about to head into college.

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